

## NPSO Limited

### Minutes of the meeting of the Board of Directors 10.10.2018

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Chet Behl (CB), General Counsel
Anna Bradley (AB), INED	David Gilbert (DG), Secretary
Christine Ashton (CA), INED – by telephone	Jenny Crawford (JC), Chief People Officer (Items 197-199)
Jean-Yves Rotté-Geoffroy (JY), INED	Jo Kenrick (JK) by telephone, Bacs (items 191-195)
Matthew Hunt (MH), COO	[REDACTED – COMMERCIALY SENSITIVE]
Paul Horlock (PH), CEO	Louise Rebuck (LR), Corporate Governance Manager
Peter Wyman (PW), INED	Simon Honey (SH), Data Protection Officer (Item 205)
Richard Anderson (RA), INED	Tanya Castell (TC), FPSL (items 191-195)
Rob Stansbury (RST), Senior INED	Toby Sheldon (TS), Communications Lead (item 196)
Russell Saunders (RSA), NED	Vanessa Graham (VG), Senior Legal Counsel
Tim Fitzpatrick (TF), INED	

#### 191. Opening items

Quorum – MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association.

Conflicts of Interest – RST and TF advised that they should be considered as having a conflict when considering appointments to the Board of Faster Payments Scheme Limited (“FPSL”) later in the meeting. Subject to this declaration, each Director present confirmed that they had no direct or indirect interest in any way in the proposed transactions to be considered at the meeting which they were required by section 177 of the Companies Act 2006 and the Company's Articles of Association to disclose.

Registers – The Register of Directors' Interests was considered. It was noted that the register had been updated to reflect the appointment of RST and TF to the Board of FPSL. The remaining Directors present confirmed that the Register of Directors' Interests circulated at the meeting was accurate in respect of their respective situational interests.

The register of gifts and hospitality for September 2018 was presented and noted by the Board.

Minutes & Matters Arising – The draft minutes of the 5 September 2018 Board meeting were considered and approved. The Board referred to the schedule of matters arising, noting those actions that were in hand and those that had been completed since the last meeting.

MJ reported that the Board had held a strategy session on 21 September and noted the main issues that had been considered.

MJ noted that this would be the last meeting that would be attended by JK and TC as part of the handover process. She thanked them for their support and insightful contributions and for their diligence in ensuring that there was an appropriate handover of knowledge from their respective businesses.

### **192. Legal Dashboard**

CB provided a verbal update on the key legal matters affecting the Company. The legal team continued to be exceptionally busy supporting the business. In particular work had been done to reconstitute the FPSL and Bacs Boards and to update the scheme rules. Draft Terms of Reference for the proposed Legal, Governance and Strategy Committee were on course.

A significant piece of work was been the delivery of the contract novation programme. A number of meetings had been held to brief regulators, key suppliers and participants on the process that was required to novate contracts relating to the 'core' payments infrastructure. The Board noted the scale of the exercise being undertaken and that the current focus continued to be the novation of 93 system critical contracts out of a total of 1,573. The novation is currently planned for 1 December 2018.

PH provided a summary of the lessons learnt from the ICS implementation that had been identified by external consultants who had been commissioned to review the programme. He highlighted that the key learning was the importance of having an appropriate level of engagement with stakeholders to ensure that they are committed to the change. After discussion, the Board agreed that it was important for the Company to be able to demonstrate that it had learned the lessons from previous change programmes. PH proposed, and it was agreed, that a further update be provided to the Board in early Q2 2019 to demonstrate the practical measures that had been taken to implement changes as a direct response to the issues identified in the consultant's report.

**ACTION: PH**

RSA suggested that the update should also highlight areas that had gone well and this was agreed. RSA agreed to circulate a report on the implementation in Australia of its version of the new payments architecture as an example of how this could be done.

**ACTION: RSA**

JK advised that many participants welcomed events such as the CASS strategy day and the Participant Operational Forum which provided participants with a safe place in which to exchange and share issues in confidence.

RST queried whether it would be possible to capture the total costs incurred on the ICS project in some way, noting that a significant percentage of the spend was borne directly by the participants and that a total cost to the industry was not available. The Board considered whether such data was readily available within participants and if so, how it might be shared across the industry. After discussion, it was appreciated that not all participants would account for the spend in the same manner and it could potentially be a time-consuming and expensive exercise for them to produce a figure. It was therefore agreed not to proceed.

PH referred to the paper on Confirmation of Payee (“**CoP**”) that had been included for information. He reiterated that the role of the Company was to set standards for the market. Whilst NPSO owned those standards, it was down to the various participants to deliver against those standards for their respective clients. He stressed that the Company would not step back once it had delivered the standards but would continue to engage with stakeholders. PH explained that CoP was a messaging system and therefore concerns being expressed that payments will fail as a result of its implementation were unfounded. There would be a requirement for users to engage before making a payment to a new beneficiary for the first time but it was down to the individual participants to explain the process and make their users comfortable with it. RS noted the number of unmatched responses but also highlighted the number of potentially fraudulent payments that were picked up by participants on a daily basis.

AB highlighted that the CoP process was an excellent example of engagement with the EUAC. Whilst the process was technically not a managed service it would be interesting to understand how the market responded to it and engaged with it. MH suggested that customer feedback would be important to the overall success of CoP as if there was customer confusion this would potentially stop others from trying the service. It was therefore proposed that participants opt for a gradual rollout to their customers so that issues could be identified and addressed. AB queried the percentage of payments across the system that were being made for the first time, suggesting that the majority were further payments to existing contacts and therefore unaffected by the changes.

*RST and TF declared an interest and did not participate in the following discussion.*

DG advised that a nomination had been received for a Non-Executive Director to join the C&CCC Board. The appointment had been considered by the C&CCC Board at its meeting on 10 September and that entity was recommending the nomination to the NPSO Board. After due consideration, the Board endorsed the appointment as submitted. Similarly, the Board noted that the FPSL Board had appointed RST and TF to the FPSL Board as Independent Non-Executive Directors. After careful consideration the Board endorsed the appointments.

### **193. CEO Report**

PH presented his monthly report and referred to the executive summary that had been included for information. He emphasised the need for the Board to be aware of the significant amount of work that was done in the schemes on a daily basis and which passed without incident. He was pleased to report that there had been solid performance across all of the schemes during the period.

PH commented on the work being done by the ICS programme. Several participants were having internal difficulties in feeding data through to the system in a measured way, causing some capability difficulties. The need for a robust process to be put in place from the outset was endorsed.

TF suggested that the packs produced by the General Managers of the various schemes be included in the meeting papers for information. PH agreed to reflect on the proposal, noting the additional workload that would impose on the Board. **ACTION: PH**

PH noted that the Operations Committee met regularly and was kept fully briefed and informed on the various issues in the schemes, with any issues of significance or concern being raised to the Executive Committee who, in turn, could request that matters be escalated to the Board as required.

PH updated the Board on the challenges facing the management. In particular, the resource-stretch in the Standards and Rules area was a concern. This was being addressed in the near-term with additional short term resource. The programme to deliver TOM 2.0 remained tight with work continuing to deliver an integrated model. Work had also started on the mapping exercise with a view to sharing the roles with staff in late November as part of the consultation process. It was agreed that an update would be provided at the November meeting.

PH noted the work being done regarding cyber risk. Further work was required to ensure that systems within the building remained available. RA highlighted the significant amount of work that had been done by staff across the business, particularly in FPSL and centrally, in response to recent events and thanked them for their efforts.

[REDACTED – COMMERCIALY SENSITIVE]

MH commented on space demands within the building. The Board counselled caution if further moves were proposed, noting that there had been a number of such moves recently and highlighting the impact that that could have on staff morale. TC encouraged the management to be visible to staff during periods of change, despite the other demands on their time, to encourage and support. JK concurred, noting the uncertainty in certain areas of the business, particularly amongst contractors as to their future roles. PH confirmed that the management were acutely aware of the situation and were working hard to address concerns wherever possible with strategies in place as required.

The ExCo Dashboard was considered and PH advised that there were no specific concerns to bring to the Board's attention. It was noted that the report now contained a regulatory engagement update to ensure that all were aware of the activity in that area. [REDACTED – COMMERCIALY SENSITIVE]

The financial position of the business was considered and PH confirmed that the result for the year was expected to be better than budget.

PH reported that [REDACTED – COMMERCIALY SENSITIVE] had begun its work on the Financial S195 review requested by the Bank of England and insight would be provided at the November

meeting. RA queried whether a presentation would be given to a future meeting. MH agreed to consider. **ACTION: MH**

JK advised that in relation to the information on Bacs that the CASS numbers had dropped in August necessitating a drawdown of reserves which should be mentioned in the report. JK suggested that the regulatory engagement summary should refer to the meetings that the Bacs INEDs had with the regulators.

#### **194. Risk Committee Report**

RA presented the Risk Committee report. He advised that the Committee had received a presentation on the development of a risk analysis tool and confirmed that this would be demonstrated to the Board in due course. The Committee had also considered operational resilience, business continuity matters and received updates from its Security Sub-Committee. RA noted the current position regarding risk resource across the business and the steps being taken to address operational requirements.

It was noted that there had been an additional meeting of the Committee to consider the draft PIR report. RA confirmed that the final PIR report would be presented to the Committee in due course and would then be brought to the full Board in November.

#### **195. Audit Committee Report**

TF advised that good progress had been made with the closure of outstanding audit actions. The Committee had been provided with a draft of the proposed NPSO Internal Audit Charter that would replace the Charters currently operated by individual schemes. The new Director of Internal Audit had also provided the Committee with his initial thoughts regarding the future operation of the team. Future auditing would follow a risk-based approach that would work in tandem with the Risk function and use the same risk universe whilst continuing to maintain the audit team's independence.

TF reported that the external auditors for Bacs, FPSL and C&CCC were being replaced. He stressed that this was to allow one firm to be appointed to audit the group, thereby bringing a consistent approach across the schemes, rather than for any material issue that the Board should be aware of.

TF noted that a Transformation Audit was underway across the business to follow up on the recent transfer of responsibilities for the schemes. A governance audit in C&CCC had also commenced.

*JK & TC left the meeting*

*TS joined the meeting*

#### **196. Change of Company Name and Change of Guarantors**

TS took the Board through the proposed rebranding launch presentation to participants and sought feedback and comments. He explained the concept of the promotional video and how it

linked to earlier presentations. The Board confirmed that it was supportive of the overall concept and made a series of suggestions and requests regarding the imagery used and the style and tone of the commentary. The Board considered whether an alternative approach should be used for those not familiar with the payments industry and it was agreed that this should be borne in mind when producing the final version.

The Board considered the proposal that the Company change its name to **Pay.UK Limited**

After careful consideration, the Board resolved to submit the Special Resolution changing the company name to the guarantors for approval. DG was authorised to file the change of name resolution at Companies House on behalf of the Board and was instructed to update the Company's statutory registers to reflect the change.

*RST, RA and CA declared an interest and did not participate in the following discussion and resolutions.*

Following the change of name, the Board noted that applications to become a guarantor of the Company had been received from 30 organisations, as detailed in the Board papers. After due consideration, the Board approved the applications and authorised the entry of the applicants as guarantors in the Company's statutory register. The Board further authorised PH to sign the letter of welcome (as per the draft letter in the Board pack) to the guarantors confirming their admission and authorised any two directors to execute guarantor certificates on behalf of the Company.

The Board accepted the withdrawal of Rob Stansbury, Richard Anderson and Christine Ashton as Interim Guarantors of the Company with effect from the date of entry of the new guarantors in the Company's statutory register. On behalf of the Board, MJ thanked the Interim Guarantors for undertaking the role pending the admission of new guarantors.

*TS left the meeting*

*KB & JC joined the meeting*

### **197. Culture Transformation**

KB provided an oversight of the work done by [REDACTED – COMMERCIALY SENSITIVE] to support businesses as they sought to embark on a cultural transformation programme. She explained how the project envisaged delivering that programme by engaging with staff and how the Board's involvement and engagement would be critical in the process. PH confirmed that the requirement was to have a vision that was driven by everyone, rather than being something that was imposed from the top of the organisation.

KB explained how all employees would be engaged in shaping the process, which would become an integral part of the performance management framework. As part of the discovery phase, the team would spend time understanding how culture was currently being articulated and

experienced cross the organisation. A questionnaire would be sent to all staff and then a number of focus groups would be held. The results would be fed back to the Board as part of that process.

The Board considered how it should be engaged in the programme and be seen to be leading a cultural transformation process that was being driven by a bottom up approach. It supported the engagement of external assistance to ensure that conversations at all levels of the organisation were captured and measured as these were fundamental to the future success of the programme. It was hoped that the adoption of a new name that captured the new brand values would also help the process. MH said that culture must join up with the Company's strategy, mission and vision. AB thought it was important to give a narrative to employees otherwise there was a risk that colleagues would articulate the current culture of the subsidiaries rather than the new culture, based on the Company's brand values.

RST counselled caution when describing the process as a transformation, noting the significant period of upheaval that had already been experienced by staff in many areas of the business. PH noted that the business would continue to change and develop and that engagement with the process was designed to make colleagues feel involved and in control.

The Board considered how the PAC and EUAC could be involved with the culture programme and the level of engagement that would be appropriate.

*KB left the meeting*

#### **198. People Update.**

JC provided an organisational overview, drawing on key data analysis including employee turnover, sickness absence and demographics. In response to a query from CA, she confirmed that the new HR system that was being introduced was fully encrypted and would allow for better reporting.

JC commented on the key features of her report, noting the current gender split within the business and how this might be addressed. The approaches available to the Company to address all such diversity imbalances were considered and a number of solutions were suggested. After discussion, the Board recommended that the management broaden its search criteria beyond requiring candidates to have payments experience to include adjacent occupations and also that it review the weightings given to particular criteria. It was also suggested that the business reach out to participants to help to fill its recruitment needs.

JC referred to her paper regarding enhanced family friendly policies. She advised that such benefits had emerged as a key and emotive subject as part of the current consultation meetings. JC reported that FPSL already had an enhanced maternity policy in place and the proposal was to apply a similar policy across all NPSO companies. The Board noted the expected cost of applying the policy and approved that this be adopted as proposed.

**199. Nomination Committee**

[REDACTED – COMMERCIALY SENSITIVE]

*JC left the meeting*

**200. Timing of Annual Report**

MJ referred to the paper that had been included in the Board pack that sought the Board's views as to the timing of an annual report. RST provided further context as to the requirement for a report, particularly the need to demonstrate that the Board was aware of and was responding to any issues or concerns raised by the two Councils. After discussion, it was agreed that a report would be prepared in Q2 2019 and its publication would be co-ordinated with the reports from the two Councils.

**201. Revolving Credit Facility**

PW informed that Board that negotiations regarding the RCF were now complete and summarised the governance process that had been followed. After careful consideration, the Board resolved that a facility [REDACTED – COMMERCIALY SENSITIVE] be entered into [REDACTED – COMMERCIALY SENSITIVE] on the terms and conditions set out in the Board papers and that PH be authorised to sign the bank's documentation in the form produced to the meeting on behalf of the Board.

PW advised that if a drawdown under the facility were required, then the procedure would be for the matter to be considered first by the Finance Committee which would then make the appropriate recommendation to the full Board for its determination.

**202. Advisory Councils**

PAC – JY advised that good progress was being made by the PAC, who were keen to be the Company's "critical friends". JY reported that the PAC was keen to work with the EUAC to ensure that there was an end-to-end approach for the customer. It was agreed that Chatham House rules should apply to enable participants to speak freely in meetings.

EUAC – AB reported that the Council was very pleased with the development of the Confirmation of Payee service and also the way in which it had been engaged with the process and been able to make a positive contribution to it.

*JY left the meeting*

**203.**

[REDACTED – COMMERCIALY SENSITIVE]



#### **204. NPA Programme Board Report**

CA provided details of the recent NPA Programme Board meeting. She reported that there was a sense of urgency within the Programme to move forward and deliver. RSA advised that there had been some feedback from participants suggesting that there were too many workstreams and that clarity was required as to the points of engagement. It was agreed that MH would speak with the NPA Programme Manager to resolve the position. **ACTION: MH**

*CA left the meeting*

*SH joined the meeting*

#### **205. GDPR Update**

SH referred to his report and confirmed that the overall status was green. The expectation that all risks would be reduced or mitigated by end November remained achievable and RA congratulated the team on the progress made.

SH highlighted the key points from the paper regarding Board Delegation of Authorities and the proposed approach that the Board delegated the review of non-key policies to Committees to allow it to focus on areas of key or systemic risk. He confirmed that the Board would still be required to note policies which had been approved by the relevant Committee and the Board would be given comfort that there was a governance process that had been followed before the policies were presented.

After further discussion, the Board requested a clearer rationale as to which policies would be seen by whom and when. The proposed monitoring template was considered and suggestions made to clarify the requirements and who was responsible for implementing them. **ACTION: SH**

The Board reviewed and considered the updated Data Protection Policy and after deliberation approved the policy as submitted.

*SH left the meeting*

#### **206. Finance Committee Report**

PW referred to the Committee's report that had been included with the Board papers for information. The Committee continued to be busy.

#### **207. Managed Services Report**

The report from the Managed Services Committee was accepted as submitted.

#### **208. AOB**

The Board noted the Regulatory Affairs Dashboard, the 2018 Committee calendar and the Board agenda planning schedule.

It was noted that Jane Bevis had resigned as the independent chair of Cheque & Credit Clearing Company Limited. It was also noted that Tim Everest had been appointed as the new General Manager.

There being no further business the Chair closed the meeting.

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Chair